

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Advisory Branch

RESOLUTION NO. W-4206
July 6, 2000

RESOLUTION

**(RES. W-4206), CALIFORNIA-AMERICAN WATER COMPANY (CAL-AM),
MONTEREY DIVISION. ORDER AUTHORIZING AN OFFSET RATE
INCREASE PRODUCING \$740,624 (3.18%) IN ADDITIONAL ANNUAL
REVENUE FOR THE UNDERCOLLECTION OF ITS WATER REVENUE
ADJUSTMENT MECHANISM (WRAM) BALANCING ACCOUNT OVER A
24-MONTH PERIOD.**

SUMMARY

By Advice Letter 543, filed on May 9, 2000, Cal-Am seeks to increase its rates to generate additional gross annual revenue of \$740,624 or 3.18% in its Monterey Division for a period of two years from the date of this resolution to recover the undercollection of its WRAM balancing account. The increase in revenues will not result in a rate of return greater than the last authorized for Cal-Am.

BACKGROUND

Cal-Am requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset a \$1,481,248 undercollection in the WRAM balancing account over a period of two years. Cal-Am serves approximately 38,500 customers in the communities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, and portions of Seaside, in Monterey County.

The present rates became effective on April 1, 2000, pursuant to Decision (D.) 00-03-053, which authorized a general rate increase.

DISCUSSION

The offset increase requested herein is for the purpose of recovering in rates, the undercollection of revenues as a result of the experimental rate design set forth in D.96-03-008. Under the experiment, most residential customers would pay only half of the monthly fixed service charge that would have been charged under the standard rate design; while program for alternative rates (PAR) customers would pay no service charge at all, but would only pay for the water they consumed.

The total of the WRAM Balancing Account as of March 31, 2000 was \$1,481,248, which is 6.37% of the adopted revenues of \$23,235,600 for the Monterey Division. The \$1,481,248 is comprised of an undercollection based on the quantity rate and interest totaling \$1,070,706, and an undercollection based on the monthly service charge surcharge and interest totaling \$410,542.

Based on Commission standard practice for amortizing balancing accounts, undercollections of 5% to 10% of gross revenues will be amortized over a period of two years. As a result the \$1,070,706 undercollection in revenue based on the quantity rate will require an additional surcharge of \$.0898 per Ccf (One Ccf is equal to one hundred cubic feet). The undercollection due to the monthly service charge surcharge will require a surcharge to each meter size for all class of customers except PAR based on the following table:

Meter Size	Meter Rate Surcharge
For 5/8 x 3/4 - Inch Meter	\$0.34
For 3/4 - Inch Meter	\$0.51
For 1 - Inch Meter	\$0.85
For 1-1/2 - Inch Meter	\$1.69
For 2 - Inch Meter	\$2.71
For 3 - Inch Meter	\$5.07
For 4 - Inch Meter	\$8.46
For 6 - Inch Meter	\$16.91
For 8 - Inch Meter	\$27.06

At the adopted rates, the monthly bill for a regular metered rate customer with a 5/8 x 3/4-inch meter using 794 Ccf per month would increase from \$25.46 to \$26.51 or \$1.05 or 4.14%.

NOTICE AND PROTESTS

In compliance with Section III of General Order No. 96-A, Cal-Am has notified the entities on its mailing lists. A notice to customers was published in a local newspaper, *The Herald*, on June 12, 2000.

FINDINGS

THE COMMISSION FINDS, after investigation by the Branch, that the rate increase hereby authorized is justified, and the resulting rate is just and reasonable.

IT IS ORDERED that:

1. California-American Water Company is authorized, five days after the effective date herein, to make effective revised Schedule No. MO – 1, General Metered Service, (continued), attached to Advice Letter No. 543, and concurrently to cancel its presently effective rate Schedule No. MO – 1 (continued).
2. Cal-Am will continue its WRAM Balancing Account for the undercollection or overcollection of revenues due to the design of rates for the Monterey Division. Only the differences caused by the design should accrue to the account and that differences caused by variations in consumption are not appropriately accrued to the account. Cal-Am must file for recovery of the account when the balance exceeds 5% of gross revenues in the Monterey Division.
3. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 6, 2000. The following Commissioners approved it:

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
CARL W. WOOD
Commissioners